CAROLINAS CLEAN ENERGY BUSINESS ASSOCIATION

CROSS-EXAMINATION **EXHIBIT**

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Q. WHAT IS THE RELATIONSHIP BETWEEN THE IRP AND COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY?

A. The IRP is a planning document developed by the utility to inform the Commission and other stakeholders of the utility's plans to meet the projected capacity and energy needs of the utility's customers over the forecasted period. The IRP is developed by modeling the power system over the forecast horizon and identifying a mix of existing and new generation resources that most economically meet the needs of the system while maintaining adequate resources to meet peak demand needs of the customers served by the utility. The IRP also analyzes how the portfolio can change based upon different energy policy frameworks, such as targeted resource retirements or a more aggressive carbon dioxide reduction scenario.

Competitive procurement of renewable energy is a market driven process to acquire new renewable resources. If the renewable resource is available at times of system peak demand it can replace the need for other new resources on the system as identified in the IRP. Alternatively, as is generally the case today, most renewable resources such as solar (when not coupled with storage) provide energy but very little capacity. This allows the existing generation fleet to run less during certain hours of the year, but it does not avoid the need for new resources identified in the IRP to meet peak demand needs. In this case the IRP can select the renewable resource as a potential economic source of energy without changing the total amount of resource required to meet peak demand.

It is very important to have a clear understanding of the assumptions underlying the IRP and its scenarios before relying on the IRP to justify a competitive procurement of renewable energy. For example, in a high price carbon dioxide scenario, the IRP will select

renewable energy because it is carbon dioxide free energy that can economically meet the needs of that specific scenario. However, if that compliance obligation does not yet exist, using the IRP scenario to justify the procurement could prematurely lead to higher costs for customers than is necessary today.

The 2,660 MW procurement target in HB 589 was a legislative mandate. As a result, the IRP was not the reason the new renewable resources are procured, but the IRP must include the likely outcomes of the NC CPRE Program to ensure it is as accurate in forecasting the future system as possible. Therefore, the IRP added those mandated renewable resources to the other solar generation that was forecast to materialize from sources such as PURPA, Act 236 and Green Source Advantage.

Q. DO YOU HAVE ANY OTHER COMMENTS FOR THE COMMISSION?

A. Yes. I would also like to mention that given the nature of this generic proceeding and the number of topics that the Commission requested the parties address, my testimony provides a very high-level explanation of these issues. These issues are complex and will require significantly more attention in the event the Commission decides to explore this concept further. Also, there are a number of issues that I have not raised, such as: the role of the Commission in creating the rules for a program, whether pro forma contracts would be developed, the development of the methodology used to evaluate proposals (and the timing of when such methodology should be published), the interaction between any potential third-party administratorr and the utility, and many others. Finally, I would note that consideration and development of such a program raises a number of legal issues, which my testimony does not address, such as the impact of FERC Order No. 872, (FERC's recent order on PURPA implementation, where FERC addresses for the first time the manner in